

---

# OSD Update

---

The Operational Services Division  
One Ashburton Place, Room 1017  
Boston, MA 02108

00- 48

To: All Department Heads, Chief Fiscal Officers, MMARS Liaisons, and Procurement Officers

From: Philmore Anderson III, State Purchasing Agent

Date: February 29, 2000

RE: **INCIDENTAL PURCHASE DELEGATION INFORMATION**

---

The Legislature has granted the State Purchasing Agent the authority to increase Department incidental purchase limits up to \$5,000. Prior to granting increases to any Department, the Operational Services Division, in coordination with the Office of the Comptroller, reviewed departments' implementation and compliance with current guidelines and determined the risk their overall procurement performance presents to the Commonwealth.

Departments exhibiting the skills and abilities of high performance will be granted additional purchasing privileges - a higher incidental purchase limit, eligibility for credit card use and a higher transaction encumbrance authority. Conversely, those exhibiting low performance would need to improve performance in procurement activities prior to being granted additional purchasing privileges.

A matrix (see page 4) has been developed to display the levels of performance/risk. Each department's final score is ranked according to the matrix to determine the appropriate level of delegation authority based on the level of performance/risk a department was assessed. The increase to a Department's incidental purchase limit is one component of the matrix.

## **How are Increases to Department Delegation Limits Granted?**

Increases to Department delegation limits are granted based on the results of a Quality Assurance Review. The results indicate the level of performance and the risk associated with that level of performance. The review is conducted by a team of qualified staff from the Operational Services Division and the Office of the Comptroller. The team reviews and assigns a rank in six performance areas for a Department. The six areas reviewed are timely bill paying, Comm-PASS RFR closure compliance, incidental purchasing, financial review of contracts, RFR performance review, and audit findings. Each Executive Branch Department is ranked in all applicable areas. The results are shared with Department Heads and Chief Fiscal Officers.

## **Has the definition of an Incidental Purchase Changed?**

No. An incidental purchase will continue to be defined as a one time, or a series of purchases for a one time, non-recurring need. However, the maximum dollar limit for what is considered an incidental purchase for each Department will now depend on the Incidental Purchase Object Code limit (identified on the MMARS OBJ2 Table) and the Department Incidental Purchase limit (identified on the MMARS DIPL Table). An incidental purchase will be a purchase which does not exceed the LESSER of either the Incidental Purchase Object Code Limit (OBJ2) for the anticipated purchase or the Department's Incidental Purchase Limit (DIPL).

As before, a purchase qualifying as an Incidental Purchase under these guidelines does not require either a competitive procurement or a Commonwealth Terms and Conditions/Standard Contract Form unless determined to be appropriate by the Department.

### **Is it Still Mandatory to Use Statewide Contracts?**

Yes. It continues to be required that Executive Departments use Statewide Contracts, unless the Statewide Contract does not meet the Department's specific need. Any small purchase that is available on a Statewide Contract does not qualify as an "incidental purchase". If the Statewide Contract does not meet the Department's needs, an incidental purchase may be done. However, the Department should document why the Statewide Contract could not be used as part of the procurement file for future reference and the OSD Procurement Team Leader should be notified as a courtesy.

### **What are Incidental Purchase Object Code Limits? (MMARS OBJ2 TABLE)**

All object codes governed by 801 CMR 21.00 have been assessed to determine the statutory limitations, legal restrictions and risk to the Commonwealth. As a result most object code limits have been raised to \$5,000. The exceptions are: TELPS (\$0.00), Entitlement Programs (\$1,000) and Loans and Special Payments (\$0.00). These exceptions were determined based upon special contracting and prior approval requirements. This information can be accessed through the OBJ2 Table on MMARS and through an appendix (Object Code Limits for Incidental Purchases) in the *Procurement Policies and Procedures Handbook*. (Please also see the exception for M.G.L. c. 29, s. 29A consultant services below.)

A Department may make incidental purchases up to either the Incidental Purchase Object Code Limit (OBJ2 Table). OR the Department's Incidental Purchase Limit (DIPL table), **whichever is LESS**. *For example, if the Incidental Purchase Object Code Limit for an anticipated purchase on the OBJ2 table is \$5,000, but the Department's Incidental Purchase Limit on the DIPL table is only \$2,500, then the Department is only authorized to make incidental purchases in that object code up to \$2,500.*

### **What are Department Limits for Incidental Purchasing? (MMARS DIPL Table)**

Departments may remain at the current \$1,000 limit or may be granted a \$2,500 or \$5,000 Departmental Incidental Purchase limit. The Incidental Purchase dollar limit assigned to a Department is based on its level of performance and the associated risk as assessed by the Quality Assurance Team. The incidental purchase limit for a Department may also be set at \$0 due to significant concerns identified by the Quality Assurance Team. The dollar amount of an incidental purchase can not exceed the LESSER of either a Department's assigned Incidental Purchase limit (DIPL) or the Object Code Incidental Purchase limit (OBJ2).

### **Exception for M.G.L. c. 29, s. 29A Consultant Contracts.**

Please note that there is one exception to these general rules for Consultant services governed by M.G.L. c. 29, s. 29A (certain HH and NN object codes). Although the Object Code Incidental Purchase limit for these object codes is \$5,000, the amount listed under the OBJ2 table is \$1,000. The OBJ2 table is set at \$1,000 because any M.G.L. c. 29, s. 29A consultant service purchase exceeding \$1,000 must use the SR/SC transaction and the Commonwealth Terms and Conditions/Standard Contract Form.

Therefore, a Department may make incidental purchases for M.G.L. c. 29, s. 29A consultant services up to either \$5,000 OR the Department's Incidental Purchase Limit (DIPL), **whichever is LESS**. *For example, if the Department's Incidental Purchase Limit (DIPL) is \$2,500 the Department is only authorized to make incidental purchases of M.G.L. c. 29, s. 29A consultant services up to \$2,500. No procurement is required for these purchases up to \$2,500. However, since the OBJ2 Table is set at \$1,000, any purchase in this object code that exceeds \$1,000 would require the SR/SC transaction and an executed Commonwealth Terms and Conditions/Standard Contract Form.*

#### **Is this the only Time an Increase in the Department Delegation Amounts can be Granted?**

No. The Quality Assurance Team will continue their reviews and assessments of Departments' purchase practices and procedures. Reassessment of the limits (up or down) will be an on-going quality assurance process.

#### **When will a Department's Increase in Delegation Limits be Effective?**

Increases in Department Delegation limits will be effective when the Department has completed appropriate training and submitted a certification form agreeing to the responsibilities associated with increased delegation authority. Each Department Head and Chief Fiscal Officer will be notified of the Department's qualification for an increase in delegation and what that Department needs to do prior to implementation of the increase.

#### **CFO Training.**

The current Chief Fiscal Officer must have attended either:

- 1) the Procurement Reform Training provided in the past several fiscal years; OR
- 2) the new Delegation Information Session.

The new Delegation Information Session will provide the CFO with basic information regarding procurement and delegation responsibilities. CFOs who are required to attend a Delegation Information Session prior to the grant of delegation increases will be notified of the dates of upcoming sessions.

#### **Delegation Transaction Certification Form.**

Once the CFO has verified attendance at CFO training, the CFO and Department Head must sign the "**Delegation Transaction Certification Form**" in order to receive delegation authority for transactions. By signing this form the Department Head and Chief Fiscal Officer are accepting the responsibility and accountability for performing all procurements in accordance with applicable laws, regulations and policies and procedures, including assuming all record keeping and archiving responsibilities for transactions within their delegation authority. The executed **Delegation Transaction Certification Form** is submitted to the Office of Comptroller for verification and processing. The Department CFO will be notified when the increase has been entered into the MMARS system and is ready to be used.

**How do the Performance/Risk Factor Levels Relate to Dollar Amounts of Delegation Authority ?**

Quality Assurance Performance Review	Incidental Purchase Delegation	Credit Card Delegation	Encumbrance Delegation
High Performance/Low Risk 85% - 100%	\$5,000	Yes	\$50,000
Medium Performance/Medium Risk 70% - 84%	\$2,500	Yes	\$25,000
Low Performance/ High Risk 0% - 69%	\$1,000	No	No

**Will There be Additional Guidance to Reference for Incidental Purchasing?**

Yes. There will be an update to the *Procurement Policies and Procedures Handbook*. This update will include revisions to the section on Exceptions to Competitive Procurements and three appendices that will be helpful in understanding incidental purchasing. The first is the "Incidental Purchasing Quick Reference Guide". This document can be used to familiarize and train staff with the steps that should be taken when determining whether a purchase qualifies as an incidental purchase. The second document, "Incidental/Non-Incidental Purchase Examples", describes typical purchasing scenarios. The third document, "Object Code Limits for Incidental Purchases", is a chart of the object codes governed by 801 CMR 21.00 and their incidental purchase limit. This information can also be viewed on the OBJ2 Table on MMARS. The Transaction Matrix and the Transaction and Threshold Matrix in Chapter 1 of the Handbook have also been updated to reflect the changes in delegation amounts.

**What Transactions and Documentation Are Required for Incidental Purchases?**

For most incidental purchases, only the invoice for the purchase is required. However, individual Departments may determine it is in the best interest of the department to execute a Commonwealth Terms and Conditions/Standard Contract Form.

Please note that the Office of the Attorney General has determined that departments may **not** sign vendor contracts, invoices, or other documents containing contractual terms. Departments that choose to sign these types of documents do so at their own risk and will be responsible for any associated costs or damages.

The PO transaction is the most commonly used encumbrance for Incidental Purchases. However, if a Department chooses to encumber funds using an SC, LO, PD or SP transaction, then a Commonwealth Terms and Conditions/Standard Contract Form must also be completed and retained on file at the Department for these incidental purchases.

Exception for M.G.L. c. 29, s. 29A Consultant Contracts. As stated earlier, a Department may make incidental purchases for M.G.L. c. 29, s. 29A consultant services up to \$5,000 OR the Department's Incidental Purchase Limit (DIPL), **whichever is LESS**. *The OBJ2 table is set at \$1,000 because any M.G.L. c. 29, s. 29A consultant service purchase exceeding \$1,000 must use the SR/SC transaction and the Commonwealth Terms and Conditions/Standard Contract Form.*

For more information you may contact Jeanne Campbell at 617-720-3148 or via e-mail at [jeanne.campbell@osd.state.ma.us](mailto:jeanne.campbell@osd.state.ma.us).

## INCIDENTAL/NON-INCIDENTAL PURCHASE EXAMPLES

Duration of Need	Anticipated Cost	Department Incidental Purchase Limit (MMARS DIPL Table)	Object Code Limit (MMARS OBJ2 Table)	Is this an Incidental Purchase?
One-time need only, unanticipated not recurring (single or multiple purchases). <b>Not</b> available on Statewide Contract.	\$4,500	\$5,000	\$5,000	<b>Yes</b>
One time need only, unanticipated, not recurring (single or multiple purchases). <b>Not</b> available on Statewide Contract.	\$4,000	\$2,500	\$5,000	<b>No.</b> Exceeds Department's limit.
One time need only, unanticipated, not recurring (single or multiple purchases). <b>Available</b> on Statewide Contract.	\$2,000	\$5,000	\$5,000	<b>No.</b> Executive Departments must use Statewide Contract unless it does not meet the need.
One time need only for a consultant. <b>Not</b> available on Statewide Contract.	\$1,500	\$5,000	\$5,000	<b>Yes.</b> The SR/SC encumbrance and Standard Contract Form and T & C is required, however a competitive procurement is not.
Periodic, anticipated need, but not known when need may arise or exact cost (ex. occasional or situation-specific supplies or equipment). <b>Not</b> available on Statewide Contract.	Average of \$100.00 - \$500.00 per incident. Highest annual average cost \$2,000 per fiscal year.	\$5,000	\$5,000	<b>Maybe.</b> Depends on circumstances and need. Department must make best value determination of whether cost and administrative savings are higher than benefits and protection of RFR and contract.

## INCIDENTAL/NON-INCIDENTAL PURCHASE EXAMPLES

Duration of Need	Anticipated Cost	Department Incidental Purchase Limit	Object Code Limit	Is this an Incidental Purchase?
Recurring, anticipated need (annual, monthly, bi-annual - periodic maintenance, repair, pest removal, licenses). <b>Not</b> available on Statewide Contract.	\$2,000 per fiscal year	\$5,000	\$5,000	<b>No.</b> Anticipated purchase, not one time need.
6 month rental of equipment or one time 2 year software license. Not recurring (ex. audio-visual equipment, chairs, speaker system for series of 3 conferences; purchase of software with unlimited free upgrades). <b>Not</b> available on Statewide Contract.	\$2,000	\$5,000	\$5,000	<b>Yes.</b> One time need. Does not exceed Departmental or object code limits.
Equipment or commodity lease (by definition leases are greater than 6 months). <b>Not</b> available on Statewide Contract.	\$2,000 for 36 months quarterly payments	\$5,000	\$5,000	<b>No.</b> Anticipated, recurring purchase. Leases may not be considered one time need even though the total cost will not exceed Departmental or object code limits.
Service contract for operational service, potential for repeated use if needed, subject to funding. <b>Not</b> available on Statewide Contract.	\$1,500 for current services, additional amounts to be determined.	\$5,000	\$5,000	<b>Maybe.</b> Depends on potential for the future need. If the potential is clearly uncertain this may be an incidental purchase. If the potential for repeat use is probable or likely, then this would not be an incidental purchase because the need would be considered recurring and the total cost would exceed the Departmental or object code limits.

## Incidental Purchasing Quick Reference Guide

An incidental purchase is defined as a one-time purchase, or a series of purchases for a one-time non-recurring need. The total dollar value can not exceed the department (DIPL) **or** object code (OBJ2) incidental purchase limit.

**Is purchase available from Statewide Contract?** If **yes**, stop here, this is not an incidental purchase. If **no**, go to step 2. To determine if commodity or service is available on Statewide Contract check listing at <http://www.state.ma.us/osd/statewid/statewid.htm>. If the commodity or service is available on Statewide Contract, an Executive Department must use the Statewide Contract unless the Statewide Contract does not meet its unique needs. If the Statewide Contract does not meet the Department's needs, an incidental purchase may be done. However, the Department should document why the Statewide Contract could not be used as part of the procurement file for future reference and the OSD Procurement Team Leader notified as a courtesy.

1. **Is The Total Cost Of The Purchase Below Your Department's Incidental Purchase Limit?** If **yes**, continue to step 3. This can be determined by checking the Department Incidental Purchase Limit Table (DIPL) on MMARS. If **no**, stop here, this is not an incidental purchase.
2. **Is The Total Cost Of The Purchase Below The Object Code Incidental Purchase Limit?** This can be determined by checking the Object Code Limits for Incidental Purchases Chart in the appendix of the *Procurement Policies and Procedures Handbook* or the OBJ2 Table on MMARS. If **yes**, continue to step 4. If **no**, stop here, this is not an incidental purchase.
3. **Is The Purchase For A One Time, Non-Recurring Need?** If **no**, stop here, this is not an incidental purchase. If **yes**, determine best value using good business practices and place your order.

### A small purchase may be considered incidental if:

- it is one-time only, unanticipated, non-recurring need - **yes**
- it is one-time rental (less than 6 months) for a single event or single occurrence of events; non recurring - **yes**
- it is an equipment or property lease - **no** (by definition leases are longer than 6 months)
- it is a periodic, anticipated need, but not known when need will arise or exact cost - **maybe**. It will depend on the potential for future need. If the potential is clearly uncertain this may be an incidental purchase. If the potential for repeated use is probable or likely, then this would not qualify as an incidental purchase because the need would be considered recurring, and the total anticipated cost of purchases may exceed the incidental purchase limit.

### Conclusion:

*Incidental Purchase = one time, non-recurring need **and** less than the Department Incidental Purchase Limit (DIPL) and object code limit (OBJ2), but **not** on Statewide Contract.*

For additional guidance consult the *Procurement Policies and Procedures Handbook*.

NOTE: A best value determination for incidental purchases should weigh the value added (cost and administrative savings) from not conducting a procurement and executing a contract with a vendor with the benefits and protections for the Department and Commonwealth gained from having a procurement and contract in place.



## OBJECT CODE LIMITS FOR INCIDENTAL PURCHASE

9

SUBSIDIARY/OBJECT CODE(S)	INCIDENTAL PURCHASE OBJECT CODE LIMIT As set on the OBJ2 Table unless otherwise noted.	INCIDENTAL PURCHASE LIMIT A Department may make Incidental Purchases up to the LESSER amount of either the Incidental Purchase Object Code Incidental Limit (OBJ2) for the anticipated purchase OR the Department's Purchase Limit (DIPL). A Department can use the following calculation to determine the Incidental purchase limit for a particular object code.
<b>Special Employees/Contracted Services:</b> CC (C05, C08, C98) <b>Administrative Expenses:</b> EE (E01, E02, E09, E14, E15, E22) <b>Facility Operational Supplies and Expenses:</b> FF (F01, F03-F11, F13, F16, F18-F21, F25-F28) <b>Energy Costs and Space Rental Expenses:</b> GG (G05-G07, G10) <b>Consultant Services:</b> HH (H17) <b>Operational Services:</b> JJ (J01, J04-J05 J07-J10, J12, J14, J16, J18, J20, J21, J23, J25, J27, J29, J32, J33, J38-40, J42-44, J46, J47, J50-J52, J54, J56, J58-J61, J98) <b>Equipment Outright Purchase:</b> KK (K01-K07, K09-K13) <b>Equipment Rental, Lease, Maintenance and Repair:</b> LL (L21-L27 L29-L33, L41-L47, L49-L53) <b>Human and Social Services:</b> MM (MM1, MM3, M01, M03, M04, M10, M11, M98) <b>Construction, Improvements, and Maintenance:</b> NN (N18,N23, N98)	\$5,000 (OBJ2)	\$5,000 or Department's DIPL amount, whichever is less.
<p style="text-align: center;"><b>Consultant Services</b> (M.G.L. c. 29,s.29A) HH (H01-H06, H08, H16, H19-H23, H25, H28, H30, H32, H98)</p> <p style="text-align: center;"><b>Construction, Improvements, and Maintenance</b> (M.G.L. c. 29,s.29A) NN (N01-N06, N08, N12-N14)</p>	\$5,000 \$1,000 (OBJ2)  All purchases exceeding \$1,000 require SR/SC encumbrance and Commonwealth Terms and Conditions/Standard Contract Form regardless of Department Incidental Purchase limit on DIPL.	\$5,000 or Department's DIPL amount, whichever is less for procurements.  All purchases exceeding \$1,000 require SR/SC encumbrance and Commonwealth Terms and Conditions/Standard Contract Form regardless of Department Incidental Purchase limit on DIPL.
<p style="text-align: center;"><b>Entitlement Programs</b> RR (R07, R10, R18, R21, R25)</p>	\$1,000 (OBJ2)	\$1,000 or Department's DIPL amount, whichever is less.
<p style="text-align: center;"><b>Equipment Tax Exempt Lease Purchase (TELP)</b> LL (L01 -L13) <b>Loans and Special Payments</b> TT (T09, T10)</p>	\$0.00 (OBJ2)	No Incidental Purchases are authorized under these object codes